



DEPARTMENT OF THE TREASURY

Ensuring Responsible Development of Digital Assets; Request for Comment

AGENCY: Departmental Offices, Treasury.

ACTION: Request for comment.

SUMMARY: This notice invites interested members of the public to provide input pursuant to Executive Order 14067 of March 9, 2022, “Ensuring Responsible Development of Digital Assets.” In particular, the Department invites input, data, and recommendations pertaining to the implications of development and adoption of digital assets and changes in financial market and payment infrastructures for United States consumers, investors, businesses, and for equitable economic growth.

DATES: Comments must be received on or before [INSERT DATE THAT IS 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments via the Federal eRulemaking Portal: www.regulations.gov. Follow the instructions on the website for submitting comments.

In general, all comments will be available for inspection at www.regulations.gov. Comments, including attachments and other supporting materials, are part of the public record. Do not submit any information in your comments or supporting materials that you consider confidential or inappropriate for public disclosure.

FOR FURTHER INFORMATION CONTACT: Natalia Li, Deputy Director, Office of Financial Institutions Policy, 202-622-1388, natalia.li@treasury.gov; Amanda Shulak, Attorney-Advisor, Office of General Counsel, 202-622-8906, amanda.shulak@treasury.gov

SUPPLEMENTARY INFORMATION:

I. BACKGROUND

Executive Order 14067 of March 9, 2022, “Ensuring Responsible Development of Digital Assets” (hereafter “Executive Order”) (87 FR 14143; March 14, 2022), outlines principal U.S. policy objectives with respect to digital assets.¹ These principal policy objectives are:

¹ <https://www.federalregister.gov/documents/2022/03/14/2022-05471/ensuring-responsible-development-of-digital-assets>

- a.** Protection of consumers, investors, and businesses in the United States
- b.** Protection of United States and global financial stability and the mitigation of systemic risk
- c.** Mitigation of illicit finance and national security risks posed by misuse of digital assets
- d.** Reinforcement of U.S. leadership in the global financial system and in technological and economic competitiveness, including through the responsible development of payment innovations and digital assets
- e.** Promotion of access to safe and affordable financial services
- f.** Support of technological advances that promote responsible development and use of digital assets

Section 5(a) provides that the increased use of digital assets and digital asset exchanges and trading platforms may increase the risks of crimes such as fraud and theft, other statutory and regulatory violations, privacy and data breaches, unfair and abusive acts and practices, and other cyber incidents faced by consumers, investors, and businesses. The rise in use of digital assets, and differences across communities, may also present disparate financial risk to less informed market participants or exacerbate inequities. It is critical to ensure that digital assets do not pose undue risks to consumers, investors, or businesses, and to put in place protections as a part of efforts to expand access to safe and affordable financial services experienced by more vulnerable populations.

Section 5(b)(i) directs the Secretary of the Treasury, in consultation with the Secretary of Labor and the heads of other relevant agencies, including, as appropriate, the heads of independent regulatory agencies, such as the FTC, the SEC, the CFTC, Federal banking regulators, and the CFPB, to report to the President on the implications of development and adoption of digital assets and changes in financial market and payment infrastructures for United States consumers, investors, businesses, and for equitable economic growth. The report must address the conditions that would drive mass adoption of different types of digital assets and the risks and opportunities such growth might present to United States consumers, investors, and businesses, including a focus on how technological innovation may impact these efforts and with an eye toward those most vulnerable to disparate impacts.

II. OBJECTIVE

Through this request for comment (RFC), Treasury is requesting input from the public that will inform its work in carrying out its mandate under section 5(b)(i) of the Executive Order. This RFC offers an opportunity for all interested parties to provide relevant input, data, and recommendations pertaining to the implications of development and adoption of digital assets and changes in financial market and payment infrastructures for United States consumers, investors, businesses, and for equitable economic growth.

III. REQUEST FOR COMMENTS

Treasury welcomes input on any matter that commenters believe is relevant to Treasury's development of the report on the implications of developments and adoption of digital assets and changes in financial market and payment infrastructures for United States consumers, investors, businesses, and for equitable economic growth as directed by Section 5(b)(i) of the Executive Order.

Commenters are encouraged to address any or all of the following questions, or to provide any other comments relevant to the development of the report. When responding to one or more of the questions below, please note in your response the number(s) of the questions to which you are responding. In all cases, to the extent possible, please cite any public data related to or that support your responses. If data are available, but non-public, describe such data to the extent permissible.

A) ADOPTION TO DATE AND MASS ADOPTION

- 1)** What explains the level of current adoption of digital assets? Please identify key trends and reasons why digital assets have gained popularity and increased adoption in recent years.

In your responses, please address the following:

- a. Who are the users, consumers, and investors that are adopting digital assets? What is the geographic composition and demographic profile of consumers and investors in digital assets?
- b. What businesses are adopting digital assets and for what purposes?

- c. What are the main use cases for digital assets for consumers, investors, and businesses?
- d. What are the implications for equitable economic growth?

2) Factors that would further facilitate mass adoption

- a. Describe a set of conditions or pre-conditions that would facilitate mass adoption of digital assets in the future. To the extent possible, please cite any public data related to the responses above.
- b. What developments in technology, products, services, or markets account for the current adoption of digital assets? Are there specific statutory, technology, or infrastructural developments that would facilitate further adoption?

B) OPPORTUNITIES FOR CONSUMERS, INVESTORS, AND BUSINESSES

3) What are the main opportunities for consumers, investors, and businesses from digital assets?

For all opportunities described, please provide data and specific use cases to date (if any). In your responses, please consider:

- a. Potential benefits of decentralized and disintermediated systems
- b. Creation of new types of financial products and contracts
- c. Potential for improved access to and greater ease of use of financial products
- d. Potential opportunities for building wealth
- e. Potential benefits of interacting with counterparties, suppliers, vendors, and customers directly
- f. Potential for improved cross-border payments and trade finance

C) GENERAL RISKS IN DIGITAL ASSETS FINANCIAL MARKETS

4) Please identify and describe any risks arising from current market conditions in digital assets and any potential mitigating factors. Identify any such responses that directly relate to:

- a. Market transparency, including pre- and post-trade transparency

- b. Accuracy and reliability of market data
- c. Technological risks, including attacks, bugs, and network congestion
- d. Smart contract design and security
- e. Settlement and custody
- f. Jurisdictional and legal conditions

D) RISKS TO CONSUMERS, INVESTORS, AND BUSINESSES

5) Please identify and describe potential risks to consumers, investors, and businesses that may arise through engagement with digital assets. Identify any such responses that directly relate to:

- a. Frauds and scams
- b. Losses due to theft
- c. Losses of private keys
- d. Losses from the failure/insolvency of wallets, custodians, or other intermediaries
- e. Potential losses associated with interacting with counterparties directly
- f. Disclosures and amount of fees
- g. Disclosures of other relevant terms
- h. Authenticity of digital assets, including NFTs
- i. Ability of consumers, investors, and businesses to understand contracts, coding, protocols

E) IMPACT ON THE MOST VULNERABLE

6) According to the FDIC’s 2019 “How America Banks” survey, approximately 94.6 percent (124 million) of U.S. households had at least one bank or credit union account in 2019, while 5.4 percent (7.1 million) of households did not. And roughly 25 percent of U.S. households have a checking or savings account while also using alternative financial services. Can digital assets play a role in increasing these and other underserved Americans’ access to safe, affordable, and reliable financial services, and if so, how?

- a. In your responses, please describe specific ways in which digital assets can benefit the underserved and the most vulnerable vis-à-vis traditional financial products and services. Address factors such as identify verification process, costs, speed, ease of use, and access.
- b. In your responses, please describe specific ways in which digital assets can pose risks to the underserved and the most vulnerable given rapidly developing and highly technical and nature of the industry. Address factors such as financial and technical literacy and accessibility.

NOTES

The term “**mass adoption**” is defined as a scenario where digital assets are accepted and used by the U.S. public on a large scale. For example, mass adoption of digital assets as a payment method would translate to use and acceptance of cryptocurrencies as a common and regular payment method for goods and services.

The term “**digital assets**” refers to all CBDCs, regardless of the technology used, and to other representations of value, financial assets and instruments, or claims that are used to make payments or investments, or to transmit or exchange funds or the equivalent thereof, that are issued or represented in digital form through the use of distributed ledger technology. For example, digital assets include cryptocurrencies, stablecoins, and CBDCs. Regardless of the label used, a digital asset may be, among other things, a security, a commodity, a derivative, or other financial product. Digital assets may be exchanged across digital asset trading platforms, including centralized and decentralized finance platforms, or through peer-to-peer technologies.²

Daniel J. Harty,
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² <https://www.federalregister.gov/documents/2022/03/14/2022-05471/ensuring-responsible-development-of-digital-assets>

